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Patent
Docket No. 156906-0010**REMARKS**

As previously noted, claims 1-2, 6, and 11-22 are pending, with claims 12-17, 21 and 22 being indicated as allowable (subject to being rewritten in independent form). Applicant has rewritten claims 16-17 and 21 in independent form, while claim 22 depends from claim 21. Therefore, it is respectfully submitted that at least claims 16-17 and 21-22 stand in condition for final allowance.

The claim rejections, along with allowed claims 12-15, are addressed below.

The § 103 Rejection

Claims 1-2, 6, 11, and 18-20 presently stand rejected under 35 U.S.C. § 103 as allegedly unpatentable over a combination of patents including Raven et al '361 and Elliot '461. During a brief telephonic interview with the Examiner, Applicant explained how the pending claims distinguish over the cited items. Based on those discussions, as detailed below, it is believed that at least claims 1-2 and 11 also presently stand in condition for allowance, making all of claims 1-2 and 11-15 allowable. Furthermore, without acquiescence in the grounds of the rejection, and without prejudice to pursue at a later time, Applicant has canceled claim 6, and amended independent claim 18 to reflect subject matter of claim 1 which, as noted, should be allowable. It is believed that the rejection of claims 18-20 is overcome thereby, and the Examiner has confirmed that the foregoing amendments should place all of the pending claims in condition for final allowance. Nonetheless, the claim rejections are briefly addressed below.

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Turning attention first to claim 1, this claim is directed to a security device for use in a cashless system wherein portable data devices may be used to conduct cashless transactions, and includes, among other things, a "data device reader" adapted to receive and read portable data devices, a "host device physically proximate to said data device reader" and comprising a host device processor, and a "security module interposed between said data device reader and said host device processor and uniquely identified with said host device." Claim 1 was previously amended to specify that the security module "prevent[s] completion of a transaction involving said data device reader and said host device processor unless said data device reader is successfully cross-authenticated with said security module when a portable data device is presented to and read by said data device reader, independent of any authentication of said portable data device by said data device reader."

Raven et al '361, on the other hand, discloses using a manually entered PIN to verify the user of a magnetic card. (See, e.g., Raven et al '361 at col. 10, Ins. 49-62) Raven '361 thus discloses a single verification step of manually entered PIN data with corresponding PIN information stored in the system. In contrast to Raven '361, claim 1 calls for a cross-authentication between the **security module** and the **data device reader** itself – irrespective of other authentication carried out by the data device reader. As specified in claim 1, the security module is "interposed between" the data device reader and the host device processor, and is "uniquely identified with said host device." This configuration provides an increased level of security for the system, on top of any added PIN verification or other security

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process that might exist. Such a configuration can also provide a benefit when retro-fitting a host device with an external data device reader. It is respectfully submitted that these features and advantages are absent from Raven et al '361 or Elliott '461, and that claim 1 should accordingly be allowable thereover.

Independent claim 18 is directed to a security method, and has been amended, at the Examiner's suggestion, to incorporate certain features from claim 1. Thus, claim 18 has been amended to recite that the security module is "interposed between said data device reader and said host device processor." Similar to claim 1, claim 18 includes a step of "performing a cross-authentication between a said **data device reader** and a **security module** uniquely identified with said host device when a portable data device is presented to and read by said data device reader," and "preventing completion of a transaction involving said data device reader and said host device processor unless said data device reader is successfully cross-authenticated with said security module, independent of any authentication of said portable data device by said data device reader." It is respectfully submitted that claim 18 should be allowable for reasons similar to those mentioned above for claim 1.

Claims 2 and 11-15 depend from claim 1, while claims 19-20 depend from claim 18. It is respectfully submitted that these claims should each be allowable as depending from an allowable base claim, and that all of claims 1-2, 11-15 and 18-20 should thus be allowable.

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Docket No. 156906-0010**Reservation of Right to Challenge Cited Items**

While Applicant has addressed the cited items on the merits, this should not be construed as an admission that some or all of the cited items constitute prior art as against the claimed invention or provide a sufficiently enabling disclosure. Applicant reserves the right to challenge the sufficiency of the cited items at a later point in time, including in any post-issuance proceeding or suit, if appropriate.

Terminal Disclaimer

To expedite review of this submission and allowance of the application, and as suggested by the Examiner during the telephonic interview, Applicant has filed a terminal disclaimer in compliance with 37 C.F.R. 1.321(c) with respect to the parent application (now issued U.S. Patent 6,577,733), along with the required fee of \$65, to preempt any potential obviousness-type double patenting issue.

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The undersigned has made a good faith effort to respond to all of the rejections in the case and to place the claims in condition for immediate allowance. Nevertheless, if any unresolved issue remains, the Examiner is invited to contact the undersigned by telephone to discuss those issues so that the Notice of Allowance can be mailed at the earliest possible date.

It is respectfully submitted that the instant application stands in condition for allowance, and a Notice of Allowance is earnestly solicited.

Respectfully submitted,

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Dated: October 27, 2005

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